

10 January 1964

MEMORANDUM

The Flag Issue in Panama

1. The rioting which erupted in the Canal Zone yesterday amply demonstrates that the issue of Panamanian sovereignty claims over the Zone continues to be an especially sensitive one both to the US residents of the Zone and to the Panamanians. It is an old issue and has never been satisfactorily resolved ~~by~~ despite repeated negotiations and genuine efforts on the part of both parties to the dispute to reach agreement. The sovereignty issue has been the underlying cause of most of the hostility that occasionally has been manifested in recent years in "flag-planting" episodes and demonstrations along and within the borders of the Zone. Prior to the 9 January events, the most serious manifestation of Panamanian nationalism directed against the US presence in the Canal Zone occurred on 3 November 1959--Panama's Independence Day--and continued through 5 November, leaving some 100 casualties on both sides and causing serious damage to US property in both the Zone and Panama. No fatalities occurred during the fighting, however, and this facilitated a return to conditions approaching normality within a week of the outbreak of rioting on the 3rd of November.

2. The flag issue is merely one of a whole range of longstanding complaints which Panama has raised against the US presence in the Canal Zone, but it is probably the most emotional one to the Panamanians and therefore the one which can touch off ~~XXXXX~~ violence more quickly than any other. After the November 1959 events, the US undertook consideration of ways to satisfy Panamanian aspirations for a demonstration of their residual sovereignty over the territory of the zone. In September 1960 the US and Panama initiated the flying of the Panamanian flag alongside the US banner at one point within Canal Zone territory, and this practice was later extended to include several other sites. As the result of lengthy

CONFIDENTIAL

-2-

1962 and
talks between US and Panamanian representatives in Panama during 1963, it was recently decided to further increase the number of locations where the two flags would fly together.

3. The current violence is especially unfortunate in the sense that it may well have quickly undone all the good work done since 1959 in improving US-Panamanian relations. While many problems remained to be worked out, a climate of cooperation between the two governments had been painstakingly ~~created~~ created following the 1959 riots.

4. The situation in Panama remains critical this morning and there is very little likelihood tensions will soon ease.